

**ACTUARIAL NOTE
REGULAR SESSION 2009**

**Senate Bill 124: SLS 09RS-163
Enrolled**

**Preparation of this Note was directed by the Actuarial Services
Division of this office**

**Author: Senator Jackson
June 19, 2009**



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**LA # 27.03
Shreveport Policemen's Pension and Relief
Fund
EN 5yr Ttl \$343,000 LF EX**

Bill Header: Provides relative to the authority of the board of trustees of the Shreveport Police pension system. (7/1/09)

Estimated Fiscal Impact:

EXPENDITURES:	2009-10	2010-11	2011-12	2012-13	2013-14	5 Year Total
State General fund	0	0	0	0	0	0
Agy Self Generated	0	0	0	0	0	0
Stat Deds/Other	0	0	0	0	0	0
Federal Funds	0	0	0	0	0	0
Local Funds	0	0	0	0	\$343,000	\$343,000
Annual Total	0	0	0	0	\$343,000	\$343,000

REVENUES	2009-10	2010-11	2011-12	2012-13	2013-14	5 Year Total
State General fund	0	0	0	0	0	0
Agy Self Generated	0	0	0	0	0	0
Stat Deds/Other	0	0	0	0	0	0
Federal Funds	0	0	0	0	0	0
Local Funds	0	0	0	0	0	0
Annual Total	0	0	0	0	0	0

Purpose

Broadens the Board's investment powers, gives the Board the authority to award a permanent benefit increase of up to 3% each year as long as the funded ratio of the plan is 80% or more, and removes the authority of the City of Shreveport to use excess assets for salaries and wages of City of Shreveport police officers.

Bill Provisions:

Relative to the Shreveport Policemen's Pension and Relief Fund, broadens the Board of Trustees' (Board) authority to invest the pension fund assets, allows the board to award benefit increases once the funded ratio of the plan reaches 80%, and requires that plan assets be used exclusively for the payment of plan benefits.

Existing Provisions:

R.S. 11:3719(A) provides that the board may invest trust monies in certain specified investment vehicles and grants the Board full power to diversify investments among the options specified.

R.S. 11:3720 provides that the interest received from investments after trust assets reach a certain value and all money received from any source, shall be applicable to the payment of pensions and relief under present law.

R.S. 11:3731(E) provides that in any fiscal year when the proceeds and assets of the fund exceed the fund's accrued liabilities, the City of Shreveport shall use the excess of the proceeds to pay salaries and wages of City police officers.

Proposed Provisions:

Proposed law retains the present law and allows the Board to invest trust monies in any other investment vehicle that a similarly-situated institutional investor would deem prudent.

Proposed law retains the present law and authorizes the board to award a permanent benefit increase or a cost-of-living adjustment to the fund's beneficiaries in any year in which the assets of the fund are sufficient to cover 80% of the fund's liabilities. It further provides that such increase shall not exceed 3% of the pension amount payable to the beneficiary on the date the increase becomes effective.

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Proposed law repeals the present law and thereby removes the ability of the City of Shreveport to use excess fund assets to pay salary and wages of City police officers.

Actuarial Impact

Actuarial Cost Impact:

These costs are based on projections made by the actuary for the Shreveport Policemen's Pension and Relief Fund through 2018 and projections made by Actuarial Services Division for the Office of the Louisiana Legislative Auditor using general approximation techniques. The true present value cost, using more precise projection processes, could range from \$4 million to \$8 million. However, we are unable to obtain sufficient evidence to support the beginning date of the initial annual calendar cost of Senate Bill 124. We attempted to obtain this information from the officials of retirement plan and the system's actuary.

1. The present value actuarial cost of Senate Bill 124 is estimated to be a net present value of \$6,000,000.
2. The initial annual calendar cost of Senate Bill 124 will be \$685,000 beginning with the calendar year 2014 (Note: the cost for fiscal 2013-14 is only 50% of the cost for calendar 2014).
3. These costs will be borne by the City of Shreveport.

Actuarial Analysis:

The following assumptions were made in preparing the estimated cost. Assumptions were necessary in order to address issues for which information was not readily available and to provide a reasonable estimate in a timely manner.

1. The broader investment discretion given to the board will have no impact on investment earnings.
2. The plan will attain 80% funding on December 31, 2013. This information was extracted from the December 31, 2008 actuarial valuation report for the Shreveport Policemen's Pension and Relief Fund prepared by the actuary for the plan. As stated previously we could not obtain sufficient evidence to support the exact date the plan will attain 80% funding.
3. The board will grant a 3% increase as soon as it may do so under the provisions of SB 124. This increase would be made effective January 1, 2014.
4. The funded ratio for the plan will continue at 80% for each year after 2014 even though cost-of-living adjustments have been made.
5. The board will grant a 3% increase every year thereafter for as long as current plan participants continue to live.
6. The benefit increase will not only be granted to retirees in pay status, but also to benefit amounts that will become payable to spouses who survive the death of the retired policemen.
7. The information contained in the December 31, 2008 valuation report for the plan is factual and correct except for the COLA assumption in the report that implies that the plan currently allows a 3.5% annual COLA adjustment.
8. The City of Shreveport would not have benefited from the provision of law that would have allowed the City to use surplus assets to pay for salaries and wages of police officers. If all actuarial assumptions are realized, no surplus will ever exist. Therefore, the repeal of this provision has no impact on the City or its taxpayers.

This actuarial note does not constitute an audit or review of the December 31, 2008 actuarial valuation for the plan. This actuarial note has been prepared assuming the information contained in that report, except for the COLA assumption referred to above, is correct.

Fiscal Impact

Net Present Value of \$6,000,000, payable by the taxpayers of the City of Shreveport.

Dual Referral Rules

Estimated Fiscal Impact >= \$500,000? **NO**

House Bill 727:

House Bill 727 is identical to this Bill. Actuarial note LA # 29.01 for House Bill 727 is identical to this actuarial note.